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## **News Release**

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### **Gentlemen's club owner indicted for tax evasion**

The owner of the King of Diamonds Gentlemen's Club in Inver Grove Heights was indicted yesterday on federal charges of tax evasion and filing false tax returns. Lawrence Frank Kladek, 65, Inver Grove Heights, was charged Sept. 22 with four counts of tax evasion and five counts of filing false tax returns.

Kladek's indictment alleges that he willfully attempted to evade a large part of the income tax due and owing by him to the United States for the calendar years 2000- 2003. The indictment also alleges that Kladek filed false individual tax returns for the calendar years 2001-2003. Finally, the indictment alleges that Kladek filed false corporate tax returns on behalf of his corporation, Kladek, Inc., for its tax years 2001 and 2002.

In or about 1999, Kladek purchased an automatic teller machine for the gentlemen's club for use by its customers. After a customer withdrew cash from the ATM, an electronic fund transfer was made from the customer's bank account into an account set up by Kladek for his corporation, the existence of which Kladek concealed from his income tax preparers. Kladek was supposed to use the cash deposited into that bank account to replenish the ATM.

Instead, the indictment alleges that Kladek stocked the ATM with cash receipts generated by the King of Diamonds. Thus, every time a customer withdrew money from the ATM, unreported, taxable business receipts were transferred to the undisclosed bank account. According to the indictment, Kladek then wrote more than \$1 million in checks on the account for personal expenses and investments. In addition, the indictment alleges that Kladek diverted approximately \$1 million in unreported cash business receipts to make a partial payment on a home in Inver Grove Heights.

If convicted, Kladek faces potential maximum penalties of five years in prison on each of the tax evasion counts and three years on each of the false tax return counts. All sentences are determined by a federal district court judge. This case is the result of an investigation by the IRS-Criminal Investigation Division and is being prosecuted by Assistant U.S. Attorney David J. MacLaughlin.

An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.